



COOPERATION & CONCEPTS

# The internal fight in the tyre market

**In the meantime, the concentration process has arrived at tyre trade too. We had a closer look at analysis of the market structure, especially with regard to a fiercer competition among each other.**

The analysis of the market structure by Bundesverbandes Reifenhandel und Vulkaniseur-Handwerk (BRV - German Tyre Retailer and Vulcanization Trade Association) offers a whole variety of information. At the moment, there are 2,050 companies with a total of 4,651 sites in the German tyre trade, and 1,935 companies with 3,504 branches of them are members of BRV.

Goodyear Dunlop Handelssysteme (GDHS) stands for an industry-related cooperation, which can be classified as top dog. Based on all the different concepts GDHS runs about 1,000 outlets in the German market. A take-over from last year reveals the new dynamics. As a consequence of the take-over of Meyer-Lissendorf and the MLX Concept by Michelin, 137 dealers with 266 outlets are now no longer counted as part of independent tyre trade but as industry-related cooperation. Nevertheless, the MLX partners are actually all independent entrepreneurs. Pirelli's Driver Concept, which consists of 49 dealers and 119 outlets established itself as number three of the industry-related concepts.

There are also industry chains in this segment. Whether Vergölst-Continental (445 outlets), Euromaster-Michelin (330 outlets), First Stop or Pneumobil-Pirelli (78 outlets), all these chains are thriving in the shadow of their tyre parent companies. Thus, it happens again and again that generated losses are covered at the end of the year or are taken over as loss carried forward. This is regarded as considerable distortion of competition from the perspective of independent, medium-sized and family-run tyre dealers, which will not be beneficial for market activities. Because of this strategy some companies were artificially kept alive, which would not have been able to survive as independent company.

### Independent specialized tyre dealers

Independent specialized tyre trade consists of 1,120 dealers with 2,261 outlets. Point S Deutschland is considered to be market leader in the segment of independent coope-



When comparing the number of dealers and outlets a question concerning a battle of systems pops up intuitively.

ration with 331 dealers and 466 outlets. EFR has got the second place with 239 dealers and 291 outlets. The team runs 198 outlets with 13 partners. The concept Com4Tires offered by Reifen Gundlach from Raubach takes care of 104 dealers.

Big independent tyre dealers like Müller, Günther, Reif, Helm and John are not mentioned. The newly-formed wholesale group Tyre Alliance (read our article on pp. 96) stands for another player, which might bring a wind of change in wholesale business and maybe even with its retail outlets. Furthermore, it will also develop innovative concepts.

A new dimension will as well be achieved by the joint venture between Pneuhaage and First Stop, which was only recently approved. (Read our article on page 58.) For the first time, there will be cooperation between an independent trade partner and a chain of the industry. Pneuhaage takes already care of total 620 outlets via its own distribution partner Reifen 1+. First Stop runs its own outlets (47) and 152 franchising outlets. It remains to be seen whether and how this new constellation will be able to operate in the market. Many independent specialized tyre dealers consider their direct

competition to be in their own area, which means industry-oriented chains and chains owned by industry. Nevertheless, in spite of those possible competitive advantages, all the independent dealers should better concentrate on themselves and probably on their respective cooperation. Performance modules offered there allow concentrating on daily business. Thus, selling tyres and services.

Many specialized tyre dealers enjoy an extremely high regional reputation and do a really good job. Because of competition, all the entrepreneurs in tyre trade will have to invest more time and work in order to achieve their fixed goals. Topics like tyre pressure monitoring systems, innovative chassis systems and high performance tyres still offer an extraordinary potential. Those being able to become specialists will be able to take care of their customers in the future too. The challenges will go on growing and should be easier to deal with together in a powerful cooperation. Only entrepreneurs who will fully commit themselves will be able to play a role in the future. This refers to both independent tyre dealers and those organized in a cooperation.

(oth)

## EXTERNAL COMPETITION

# Car dealer and independent workshop attack

**Competition around the tyre has become fiercer, as especially companies in the automotive service market intentionally use tyre offers in order to generate turnover.**

The Zentralverband Deutsches Kraftfahrzeuggewerbe (German Federation for Motor Trades and Repairs - ZDK) gives a total number of 48,500 companies in the automotive business in the year 2015. Among them there are 17,450 brand-dependent companies and 20,950 free, brand-independent companies registered. According to the DAT Report 2016, maintenance tasks and maintenance effort per passenger car have been decreasing for many years. The expense for wear per passenger car runs at 162 euros. As a consequence, all the providers in the automotive service market are looking for new and profitable service segments. Thus, they started focusing on tyres, although prospective margins are rather low compared with spare and wear parts for car dealers and independent workshops.

This means for specialized tyre trade that it does not only have to cope with companies from its own segment, but will also have to prevail against far more powerful competitors from the automotive service market.

Specialized tyre trade should see beyond the end of its nose, as the real competitors can be found in car dealerships and independent workshops. Car dealers are continuously expanding their tyre business. When buying a new car, winter tyres and even complete wheel sets are offered as profitable service package at reasonable conditions. Thus, the buyer will stay longer in contact with the car dealer and will make use of the authorized workshop for tyre changeover too.

Moreover, the high number of independent workshops discovered that tyres are a profit-generating driving force of turnover. More and more car dealerships turn into independent multi-brand workshops as a consequence of network adjustments. Thus, the number of independent workshops is increasing. Additionally, a growing number of independent workshops are getting organized in numerous existing workshop concepts. These so-called system workshops dispose of professional performance modules, technical equipment and necessary know-how. Independent workshops promote their more affordable price-performance ratio compared with hourly rates of the car dealerships.



Independent workshops and car dealer use tyre service for sales increase.

### Fight for market share

Any independent specialized tyre dealer should get informed about the possibilities offered by cooperation and concepts in order to be able to survive in the fight for market shares. Joined purchase is above all an important cooperation performance in order to remain competitive with market-adapted prices. Furthermore, cooperation provides different performance modules. The daily routine will be facilitated and even accelerated by these modules. The entrepreneur will then be able to use the gained time for other profitable activities.

Specialized tyre trade offers many services, which a car dealership or independent workshop will not be able to make available. First of all, there is a high level of flexibility, which of course originates from the organization structure of specialized tyre trade. Starting with in-coming orders, mounting and handing over the vehicle to the owner will even in the rush hour only take 30 minutes. If the tyres are already on stock, changeover processes might be further shortened. When selling tyres with possible mounting of tyre pressure monitoring systems (TPMS), it will of course take longer.

The flexibility of specialized tyre trade is also based on the professional know-how related to tyre service. Tyre trade knows its products extremely well and is able to offer

customers products of all the different quality areas, but also for various areas of use during consultations. Nonetheless, apart from the product specialized tyre trade should sell its services more consistently. As the technical equipment already exists, topics like balancing, chassis measurement and TPMS should be advertised more intentionally. Tyre trade should consider the service business as opportunity and driving force of increased turnover.

### Online competition

A further competitor was not mentioned, which means online trade. This, however, should be regarded more as chance and challenge than as competitor. Try to make use of the possibilities of this innovative communication platform for your own company.

A professional homepage is absolutely essential in order to offer customers the possibility of fast online appointments. Your own customers can be addressed by specific mailings in printed form, but also by fast e-mail marketing. Based on the slogan "Deal of the Day" or "Deal of the Week" you will be able to promote e.g. safety checks or other activities without any problem. Your own online tyre sale can also be organized via your own dealer homepage. Have a try and you will notice your customers' reaction.

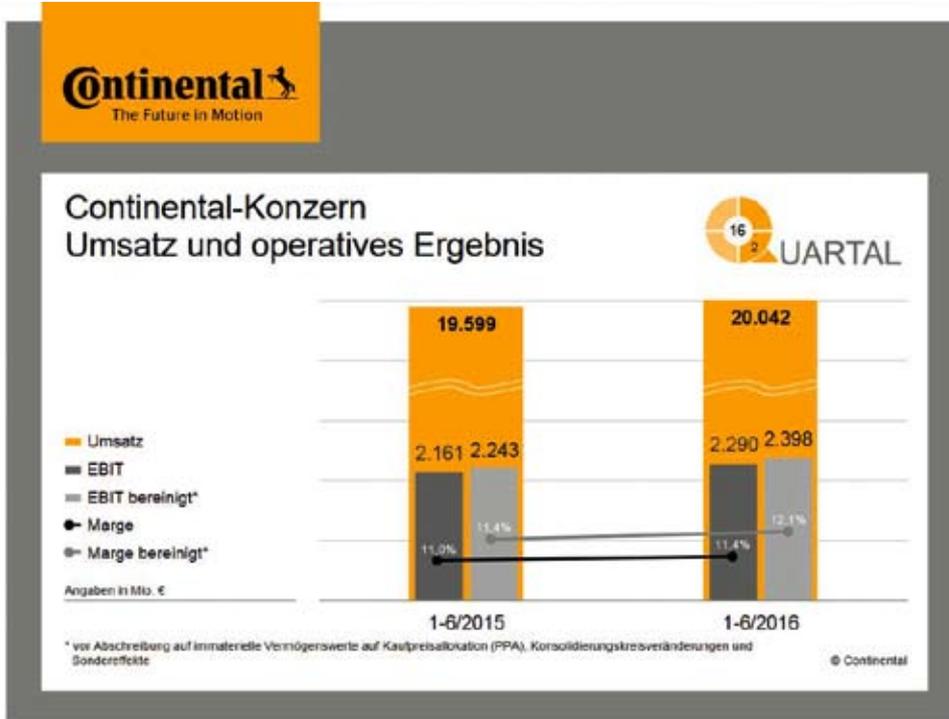
(oth)



GOOD HALF-YEAR FIGURES

# Continental increases profit forecast

The international technology company Continental has presented its business figures after the first six months. According to company information, it will increase its results forecast for the current year because of good half-year figures.



Continental's turnover and operative result after the first six months of the current business year.

We want to achieve an adjusted EBIT margin of more than eleven per cent for the whole year and thus exceed the so far expected margin of about eleven per cent", explained Dr. Elmar Degenhart, Chief Executive Officer at Continental. The first-class operative performance of the Rubber Group was the reason for this increase. "The excellent sales development of the tyre area in the first six months provides additional tailwind", said Degenhart. Furthermore, the price development of important raw materials for the tyre production and further rubber products is supposed to offer additional support. From today's perspective, price increases will altogether turn out to be lower over the whole year than forecasted at the end of the first quarter in 2016.

For the second quarter in 2016, the CEO drew a positive balance: "As expected our automotive business accelerated in the second quarter. We were able to grow faster than the market with an organic growth of about five per cent. At the same time, we succeeded in improving our result. Incoming orders were extremely pleasing too, as we

were able to increase them to more than 18 billion euros in the first six months. The Rubber Group continued the positive turnover and profit development. Further sales plus of tyres as well as further stabilization of the industry business were highly responsible for this."

In the framework of the annual company forecast, the company expected a continuation of the positive turnover dynamics for the rest of the year. "Nevertheless, from today's perspective the market environment will still be characterized by insecurity and volatility because of the latest political developments", added Degenhart.

Free cash flow before acquisitions rose by 159 million euros to more than one billion euros compared with last year. This was compensated by an increase of operative results and an improvement of working capital", illustrated Wolfgang Schäfer, Chief Financial Officer. All in all, he considered expectations for the whole year to be confirmed. "We are still anticipating free cash flow before acquisitions of a minimum of two billion euros for the current business year", said Schäfer.

At the end of the first six months, net financial debts of the Continental Group were at 3.4 billion euros. Net financial debts were slightly decreased by 96 million euros compared with the end of the year 2015. According to company information, Continental disposed of a liquidity cushion of 5.2 billion euros, among others liquid assets of 1.7 billion euros and unused lines of credit of 3.5 billion euros on 30th June 2016.

During the first six months in 2016, Continental invested 920 million euros in fixed assets and software. The expense for research and development was increased by 13.2 per cent to 1.4 billion euros compared with the previous year. This corresponds to a ratio of 7.2 per cent of turnover compared with 6.5 per cent in the previous year. During the first six months of this year, the Automotive Group generated turnover of 12.2 billion euros. The adjusted EBIT margin was at 8.1 per cent. In the first half of 2016, the Rubber Group achieved turnover of 7.9 billion euros and was able to improve the adjusted EBIT margin by 2.3 percentage points to 18.8 per cent compared with the year before. (akl)

V DAT

# Will the emissions scandal have an impact on the testing standards of motor tuning?

**On 13th July, VDAT (Verband der Automobil Tuner - Association of German automobile tuners) met together with further representatives of ETO (European Tuning Organization) for talks with "correspondents" because of the revision of the Type Approval Framework Directive (2007/46/EC). The EU Commission is planning comprehensive changes of the current directive, above all as a consequence of the emissions scandal.**



**T**here are differentiations in the current directive, which are made between parts when producing new vehicles and those for changes on vehicles, which can already be found on the road. These differentiations and other "safe guards" are no longer in the new draft or are rephrased in such a way that "interpretations" with negative impact on the whole industry are thinkable. According to VDAT, the application of EU type approval requirements for new vehicles could as well threaten accessories of the aftermarket as a consequence. Thus, it will fight against this together with ETO.

## Discussions about revision of directive

As announced by VDAT, the planned revision of the current Type Approval Framework Directive (2007/46/EC) is a further topic with potential of becoming a pro-

blem. Software updates of vehicle manufacturers during ongoing series and its external plausibility were not necessarily a core topic in the current directive. The emissions scandal changed the interpretation of these things, although, according to VDAT, there is no real link between this topic and obvious fraud of one vehicle manufacturer. In the framework of the revision of Directive 2007/46, there is still a lot of discussion taking place which documentation requirements will definitely be expected from the vehicle manufacturers in the future.

Plausible impacts on the requirements for vehicle manufacturers and "chip tuners" as well as software changes in the engine control device could be caused if the EU Commission considered both cases to be "changes of vehicles on the road". Thus, demands are possible

concerning the idea of treating software changes in the control unit in a similar way regardless of the fact whether the vehicle manufacturers or the tuner will carry them out.

The labelling requirements will not refer to additional control devices, as they are independent and physically existing components. In practice, this will not be a short-term process, as it will be necessary to read out data with regard to software changes, which were carried out, via the so-called HU adaptor. As a consequence, a certain unification of some data structures for all the vehicle manufacturers will be a precondition. According to VDAT, when currently dealing with the VdTÜV information sheet 751, the topic of software changes will be excluded as long as the requirements for vehicle manufacturers are not clearly defined.



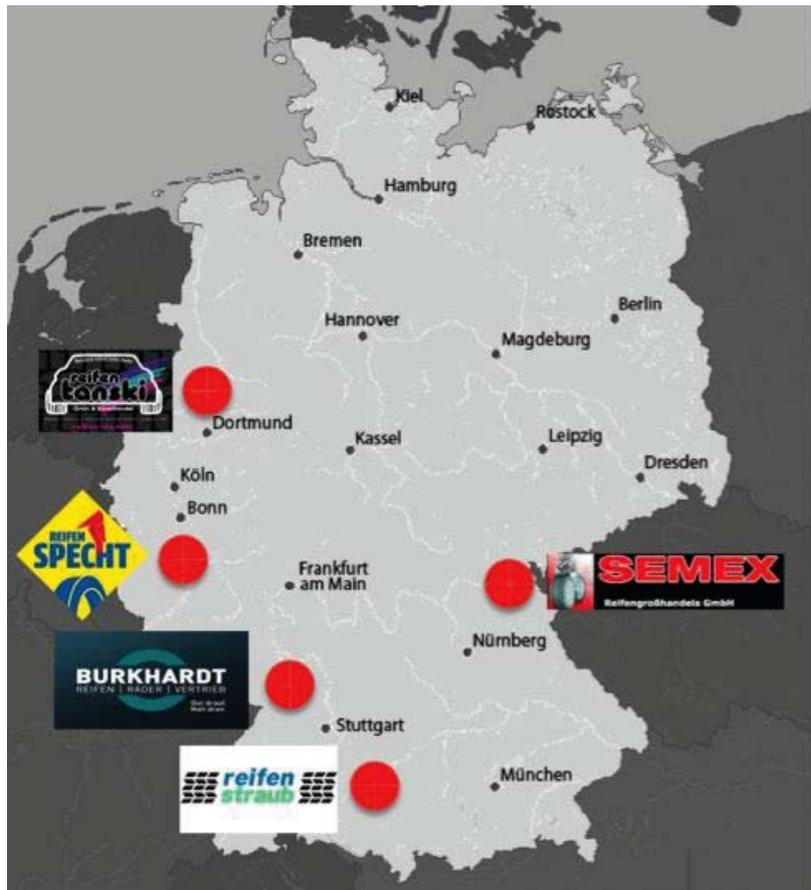
## TYRE ALLIANCE

# Five tyre trade companies have founded a new trade association

**Reifen Burkhardt GmbH + Co KG from Bruchsal, SEMEX Reifengroßhandels GmbH from Furth im Wald, Reifen Specht Handels GmbH from Ransbach-Baumbach, Reifen Straub GmbH from Kirchberg a. d. Iller and Reifen Tanski Manfred Tanski e. K. from Herten founded a new trade association called Tyre Alliance on 1st August 2016.**

**A**part from the five companies, Michael Borchert and Norbert Busch have been part of the association from the very beginning. Both dispose of yearlong experience in the tyre industry at national and international level, and know the German tyre market. Reimund Wolfmueller, expert of the industry, will take over management of the Tyre Alliance. He is supposed to contribute to the long-term success of the group because of his experience in the distribution areas of wholesale and retail trade as well as in practical issues of trade and production.

The Tyre Alliance considers itself as an association of independent, medium-sized and owner-run sole proprietorships, which are to remain independent in an economic way. According to responsible people, there will consequently be created an efficient cooperation with focus on national service and customer proximity in addition to the regional presence of the companies. Above all in the high season and its peaks, the performance capacity of the association will help to support all the customers efficiently and to increase their competitiveness, as the Tyre Alliance represents a marketing potential of about three million tyres.



These five wholesale companies form the Tyre Alliance.

### Synergy effects

The Tyre Alliance will focus on joining and further developing the current core competencies of each partner as long-term goals. According to responsible people, these synergy effects will “guarantee an extraordinary marketing performance” in the future, from which customers, trade partners and suppliers are to benefit. Further extension of the partner network stands for an additional part of the concept. This means aiming at a long-term cooperation with the partners in the trade and manufacturing area. As a consequence, the gap between manufacturers and smaller and independent trade chains is supposed to be closed.

The cooperating dealers intent enabling high availability in all the sectors and segments, but also with regard to the breadth and depths of the product range, by making use of a storing capacity of more than 1.4 million tyres on about 65,000 square metres in their regional wholesale warehouses. Because of 25 tyre and 32 rim brand, the association considers itself to be presented in the market in a comprehensive way. All the distribution channels will be available via “specialized distribution”. Each partner of the association is meant to strengthen the Tyre Alliance with its individual core competencies. The advantages resulting from this are suppo-

sed to support the development of new potentials of the group. Furthermore, all the product sectors (passenger car, SUV, van, truck, motorbike, agricultural and industrial tyres) will be delivered. It will focus on professional marketing of rims and complete wheels as well as the expansion of automotive service. The group disposes of high market proximity and yearlong experience in all the trade areas thanks to a high number of retail outlets. According to responsible people, changes concerning consumer needs are to be discovered early and to be immediately considered when planning services.

(akl)

# Enquired about

**The editors spoke with responsible people at the Tyre Alliance. Apart from Reimund Wolfmüller, Managing Director, Michael Borchert and Norbert Busch explained the new trade association called "Tyre Alliance".**

*Herr Wolfmüller, when starting the Tyre Alliance, your press release was already rather comprehensive. How should we imagine your next months?*

I think I am talking here for all the people being present and for our partners that we will have to cope with many tasks in the future. Nevertheless, our performance association is to be characterized by the slogan "Walk the Talk". As a consequence, we are neither able nor willing to explain our ideas and concepts in a too detailed way beforehand.

*What are the characteristics of the performance association?*

The Tyre Alliance consists of five powerful, family-run and medium-sized wholesale companies, which already dispose of a successor regulation. Thus, continuation and future orientation will be clear. The five partners are supposed to organize the future in an active way and to acquire strategic partners with innovative concepts both concerning suppliers and specified customers and customer groups. We are intentionally aiming at closing the gap between manufacturer and trade customers, which are not addressed by the manufacturer nowadays.

*How are you going to unify the different company orientations in order to build up a powerful programme?*

This is definitely one of our main tasks we will have to deal with in the next months. All the five have got individual core competencies, which will have to be integrated into the association. We will of course make use of existing synergies and will make them available for all the other partners.

*Could you give us some examples?*

The company Reifen Burkhardt from Bruchsal is a distribution specialist of exclusive design lines for light metal wheels in wholesale and retail trade and has build up a high regional importance for more than two decades.

Cutting-edge logistics with barcode labelling, regional customer proximity and same-day delivery service are their strengths in distribution.

Semex Reifengroßhandels GmbH from Furth has developed big know-how in the distribution of agricultural, construction and industrial tyres as well as tubes in this segment. The distribution structure also covers many European markets.

Reifen Specht from Ransbach-Baumbach, however, disposes of a high expertise in complete wheels and TPMS and has established future-oriented e-commerce solutions. Moreover, Reifen Specht has boosted the optimization of logistical processes in such a way, that you can rely on deliveries with its own fleet even as express supplies in some areas or also twice a day – as well in the high season. Important impulses will be transferred to the group concerning these competencies.

Reifen Straub, which is located in Kirchberg a. d. Iller, offers yearlong experience in motorbike, consumer and truck tyres and is a specialist for the distribution in DACH markets (Germany, Austria and Switzerland). It will provide important contributions like innovative service solutions for commercial customers (e.g. fleets) for the group.

Reifen Tanski in Herten is one of the first addresses in the Ruhr area for tyres, rims, tuning and automotive service. Based on more than 30 years of experience and 30 branches, it disposes of competence for retailing and franchising. Furthermore, integrated wholesale and acquired knowledge in the B2C business will offer a real benefit for the association. We will join core competencies and will offer them as innovative concepts in the market. As a consequence, all the partners will benefit from each other.

*Concerning distribution the Tyre Alliance has a higher focus on south-western areas.*

*Are you planning a national coverage?*

You are definitely right. Nonetheless, each company has got a strong regional presence and know-how. Firstly, we are going to adapt the different IT-structures and to unify them in the mid-term. Secondly, we are going to develop more efficient solutions and structures, among others in logistics in order to present attractive solutions to our strategic suppliers and customers. In this framework, we will of course cover more areas, like e.g.



Reimund Wolfmüller

Hamburg or Berlin if necessary, with effective logistics concepts – maybe even with the support of new partners.

*The new association also disposes of some retail branches. How are you going to integrate them into your concept?*

First of all, we are going to concentrate on the wholesale business, but we will integrate the needs of retail trade into our concepts from the very beginning. The existing specialized tyre trade branches will effectively be useable for innovative workshop or franchising concepts. It will be possible to develop a future-oriented concept here with respective structures.

*Will the Tyre Alliance purchase together in the future?*

This will absolutely be an option for the future, however, we will not mainly focus on this. At the moment, all the partners purchase on their own. If we consider it to make sense, we will change this in the future.